

# Motor Vehicle Dealers

(SIC 551 and 552)

## SIGNIFICANT POINTS

- Most jobs in motor vehicle dealerships offer above average earnings, but only require 2 years of postsecondary training or less.
- Motor vehicle dealerships are expected to decline in number but increase in size as consolidation continues in the industry.
- Employment growth is expected to be average but very sensitive to downturns in the economy.

### Nature of the Industry

Serving America's fascination with automobiles are the Nation's new and used motor vehicle dealers. They are the bridge between automobile manufacturers and the consumer.

A full-service motor vehicle dealership provides service for its customers in four general departments: New vehicle sales, used vehicle sales, aftermarket sales, and service. These departments employ a wide range of occupations including managerial, administrative support, sales, and mechanic and repairer occupations. In addition to full-service dealerships, some motor vehicle dealers specialize in used vehicle sales only.

The *new vehicle sales department* in full-service dealerships accounts for the majority of total sales, making it the cornerstone and life blood of the dealership. Although the profit margins on new-car sales are quite small in comparison to other departments, these sales spawn additional revenue from more profitable departments of the dealership. By putting a new car on the street, the dealership can count on aftermarket additions to the car, a new repair and service customer, and future used car trade-ins.

Sales of new cars, trucks, and vans depend on changing consumer tastes, popularity of the manufacturers' vehicle models, and the intensity of competition with other dealers. The business cycle greatly affects automobile sales—when the Nation's economy is declining, car buyers may postpone purchases of new vehicles and conversely, when it is growing and consumers feel more financially secure, vehicle sales increase.

Car and truck leasing is included in the new car sales department. Leasing services have grown in recent years to accommodate changing purchasing habits of consumers. As vehicles have become more costly, growing numbers of consumers are unable or reluctant to make the long-term investment entailed by the purchase of a new car or truck. Leasing provides an alternative to high initial investment costs while typically maintaining lower monthly payments.

The *used vehicle sales department* sells trade-ins and former rental and leased cars, trucks, and vans. Because new vehicles prices continue to increase faster than used car prices, used vehicles have become more popular. Also, innovative technology has increased the durability and longevity of new cars, resulting in higher quality used cars. In recent years, the sale of used vehicles has become a major source of profits for many dealers in the wake of decreasing margins for new vehicles.

In economic downturns, the demand for used cars often increases as sales of new vehicles decline.

The *aftermarket sales department* sells additional services and merchandise after the new-vehicle sales worker has closed a deal. Aftermarket sales workers sell service contracts and insurance to new and used car buyers and arrange financing for their purchase. Representatives offer extended warranties and additional services such as under-coat sealant and environmental paint protection packages to increase the revenue generated for each vehicle sold.

The *service department* usually has the smallest share of the average dealership's total sales, but generally is the dealer's greatest source of profits. It provides automotive repair services and sells accessories and replacement parts. Most service only cars and small trucks, but a small number service large trucks, buses, and tractor-trailers. Some of the larger dealerships also have body shops to do collision repair and painting. The work of the service department has a major influence on customers' satisfaction and willingness to purchase future vehicles from the dealership. The revenue from the service department of the dealership typically offsets the costs of running the shop. In some cases, service department revenue is used to pay for dealership overhead.

As is the case in the used vehicle department of a traditional full-service dealership, stand alone *used vehicle dealers* sell trade-ins and former rental and leased vehicles. These dealers range from small, one location stores to large, nationwide superstores. Each one capitalizes on the increased demand for used vehicles and relatively large profits for previously owned cars, trucks, and vans. Some of the larger stores offer low-hassle sales on large inventories of these popular vehicles. These dealers typically contract out warranty and other service-related work to other dealers or satellite service facilities. Growth in leasing agreements and rental companies will continue to provide quality vehicles to these dealers, thus providing for future employment growth in the used vehicle market.

### Working Conditions

Persons in motor vehicle dealerships work longer hours than in most other industries. About 85 percent worked full time in 1998; nearly 45 percent worked more than 40 hours a week. To satisfy customer service needs, many dealers provide evening and weekend service. The 5-day, 40-hour week is usually the exception, rather than the rule, in this industry.

Most automobile salespersons and administrative workers spend their time in dealer showrooms. Individual offices are a rarity. Most office space is shared by multiple users and may be cramped and sparsely equipped. The competitive nature of selling is stressful to automotive sales workers, as they try to meet company sales quotas and personal earnings goals. Turnover in automotive sales jobs is relatively high.

Service technicians and automotive body repairers generally work indoors in well ventilated and lighted repair shops. However, some shops are drafty and noisy. Technicians and repairers frequently work with dirty and greasy parts, and in awkward positions. They often lift heavy parts and tools. Minor cuts, burns, and bruises are common, but serious accidents are avoided when the shop is kept clean and orderly and safety practices are observed. Despite hazards, precautions taken by dealers to avoid and prevent injuries have kept the workplace relatively safe. In 1997, there were 7.3 cases of work-related injuries and illnesses per 100 full-time workers in the new and used motor vehicle dealers industry, close to the national average of 7.1 cases. Separately, stand alone used motor vehicle dealers reported only 1.8 cases of work-related injuries and illnesses per 100 full-time workers—well below the national average.

## Employment

Motor vehicle dealers provided about 1.1 million wage and salary jobs in 1998. An additional 51,000 self-employed persons worked in this industry. Sales workers, service technicians, and repairers shared two-thirds of industry employment. The remaining third were executive and managerial, administrative support, and operator and laborer positions.

Workers in motor vehicle dealerships tend to be somewhat older than those in other retail trade industries. The median age of workers in dealerships was 38, with 26 percent between the ages of 35-44.

Since 1950, the trend in this industry has been toward consolidation. Franchised dealers have decreased in number while

their sales volume has increased. Having larger dealerships means offering more services at typically lower costs to the dealership and the customer. Over 75 percent of motor vehicle dealerships employ at least 10 workers, compared to about 32 percent for retail trade establishments in general. Dealerships with 10 or more workers employ about 98 percent of the workers in the industry, whereas such establishments account for fewer than 85 percent of all retail trade employment (chart). On average, motor vehicle dealers employ nearly 45 employees per establishment, compared to an average of 14 employees in all retail businesses.

## Occupations in the Industry

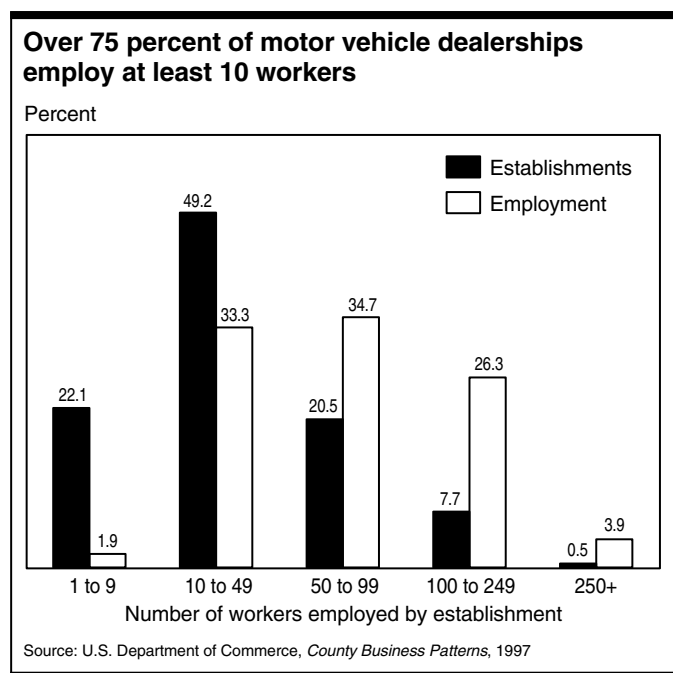
The number of workers employed by motor vehicle dealers varies significantly depending on dealership size, location, makes handled, and distribution of sales among departments. Table 1 indicates that the majority of workers in this industry are sales workers, automotive mechanics and service technicians, or administrative support personnel.

*Marketing and sales occupations* are among the most important occupations in the dealership. Their success in selling vehicles and services determines the success of the dealership. *Automotive sales workers* usually are the first to greet customers and determine their interests through a series of questions. They explain and demonstrate the car's features in the showroom and on the road and negotiate the terms and price of the sale. A high school diploma usually is the minimum educational requirement for beginning sales workers, however, many managers prefer candidates who have a college education. They must be tactful, well groomed, and able to express themselves well. Their success in sales depends upon their ability to win the respect and trust of prospective customers. Employers view ambition, personal integrity, and common sense as the most important traits for prospective employees.

*Automotive repair and service occupations* are another integral part of dealerships. Employers look for persons with mechanical and technical aptitude and knowledge of how automobiles work to fill entry level jobs. Good reading and basic math skills are also required to study technical manuals and keep abreast of new technology and learn new service and repair techniques. Nearly all employers require a high school diploma and computer literacy. Due to the increasingly complex technology in today's new automobiles, most employers regard the successful completion of a formal postsecondary training program for automotive mechanics and service technicians as the best preparation for trainee positions. These programs give dealers well trained, certified employees who are more valuable to prospective employers.

Motor vehicle dealers devote a large share of their workers, facilities, and equipment to maintenance and repair services. *Automotive mechanics and service technicians* fix automobiles and light trucks with gasoline engines, such as vans and pickups. *Automotive body repairers* straighten bent body parts, remove dents, and replace crumpled parts that are beyond repair. In support of the service and repair department, *automotive parts counter workers* supply vehicle parts to technicians and repairers. They also sell replacement parts and accessories to the public.

*Administrative support workers* handle the paperwork of motor vehicle dealers. *Bookkeeping, accounting, and auditing clerks; billing, cost, and rate clerks; general office clerks; and*



*secretaries* prepare reports on daily operations, inventory, and accounts receivable. In addition, they gather, process, and record information; operate telephone switchboards; and perform other administrative support and clerical duties. Dealership *office managers* organize, supervise, and coordinate administrative operations. Many office managers also are responsible for collecting and analyzing information on each department's financial performance.

*Vehicle washers* and *equipment cleaners* prepare new and used cars for display in the showroom or parking lot and for delivery to customers. They may wash and wax vehicles by hand and perform simple services like changing a tire or battery.

*Truckdrivers* operate customer service vans to transport customers to and from the dealership. Drivers also operate light delivery trucks to pick up and deliver automotive parts, and tow trucks to bring in damaged vehicles. They also drive new automobiles between preparation areas and consumer delivery areas.

*Executive, administrative, and managerial* jobs often are filled by promoting workers with years of related experience. For example, in automotive service departments, most managers have experience as mechanics and service technicians, and most sales managers start as automotive sales workers. *Shop managers* usually are among the most experienced mechanics and service technicians. They supervise and train other mechanics and technicians to make sure that service work is performed properly. *Parts managers* run the parts department and keep the automotive parts inventory. They display and promote sales of parts and accessories, and deal with garages and other repair shops seeking to purchase parts. *Service managers* oversee the entire service department and are responsible for the department's reputation, efficiency, and profitability. Increasingly, service departments use computers to increase productivity by scheduling customer appointments, trouble-shooting technical problems, and improving service workflow. This results in increased customer satisfaction.

*Service advisors* handle the administrative and customer relations part of the service department. They greet customers, listen to their description of problems or service desired, write repair orders, and estimate the cost and time needed to do the repair. They also handle customer complaints, contact customers when technicians discover new problems while doing the work, and explain to customers the work performed and the charges being billed.

*Sales managers* hire, train, and supervise the dealership's sales force. They are the lead negotiators in all transactions between sales workers and customers. Most advance to their positions after success as sales workers. They review market analyses to determine consumer needs, estimate volume potential for various models, and develop sales campaigns to accomplish dealership goals.

*General managers* are in charge of all the dealership's operations. They need extensive business and management skills, usually acquired through experience as a manager in one or more of the dealership departments. Dealership performance and profitability are ultimately up to them. General managers sometimes have an ownership interest in the dealership.

**Table 1. Employment of wage and salary workers in motor vehicle dealers by occupation, 1998 and projected change, 1998-2008**

(Employment in thousands)

Occupation	1998 Employment		1998-2008 Percent change
	Number	Percent	
<b>All occupations</b> .....	1,145	100.0	11.6
<b>Marketing and sales</b> .....	410	35.8	10.7
Retail salespersons .....	238	20.8	11.4
Marketing and sales worker supervisors .....	71	6.2	26.0
Cashiers .....	14	1.2	3.4
Parts salespersons .....	62	5.4	-8.4
<b>Precision production, craft, and repair</b> .....	322	28.1	14.1
Automotive mechanics and service technicians .....	203	17.7	14.5
Automotive body and related repairers .....	49	4.2	14.5
Blue-collar worker supervisors ...	49	4.3	14.5
<b>Administrative support, including clerical</b> .....	179	15.7	8.4
General office clerks .....	50	4.4	26.1
Bookkeeping, accounting, and auditing clerks .....	39	3.4	-6.8
Office and administrative support supervisors and managers ....	25	2.2	11.3
Secretaries .....	15	1.3	-8.8
Stock clerks and order fillers .....	14	1.2	14.5
Billing, cost, and rate clerks .....	11	1.0	3.1
<b>Operators, fabricators, and laborers</b> .....	142	12.4	13.9
Cleaners of vehicles and equipment .....	69	6.1	14.5
All other helpers, laborers, and material movers, hand .....	35	3.1	14.5
Truckdrivers .....	26	2.3	13.5
<b>Executive, administrative, and managerial</b> .....	73	6.4	10.8
General managers and top executives .....	49	4.3	11.1
Management support occupations .....	9	0.8	10.2
<b>Service</b> .....	16	1.4	4.1
Janitors and cleaners .....	13	1.1	3.1

## Training and Advancement

Requirements for many jobs may vary from dealer to dealer. To find out exactly what you need to qualify for a specific job, ask the dealer or manager in charge. The majority of positions do not require postsecondary education—more than half of those employed have not received any formal education past high school. In today's competitive job market, however, nearly all dealers demand a high school diploma. Courses in automotive mechanics are important for service jobs, as well as a basic background in business, electronics, mathematics, computers, and science. Sales workers require strong communication skills to deal with the public because they represent the dealership.

Most new sales workers receive extensive on-the-job training beginning with mentoring from sales managers and experienced

sales workers. In large dealerships, beginners receive several days of classroom training to learn the models for sale, how to approach prospective customers, negotiation techniques, and ways to close sales. In addition, manufacturers furnish training manuals and other informational materials for sales workers. Managers continually guide and train sales workers, both on the job and at periodic sales meetings.

Service technicians and repairers may begin as apprentices or trainees, helpers, or lubrication workers. They work under close supervision of experienced technicians and service managers. Even though beginners may be able to perform routine service tasks and make simple repairs after a few months on the job, they usually need 1 to 2 years of experience to acquire enough skills to become a certified mechanic and service technician.

Automotive technology is rapidly increasing in sophistication, and dealerships increasingly prefer to hire graduates of postsecondary mechanic training programs for trainee positions. Graduates of such programs often earn promotion to service technician after only a few months on the job. Most community and junior colleges and vocational and technical schools offer postsecondary automotive training programs leading to an associate's degree in auto mechanics or auto body repair. They generally provide intense career preparation through a combination of classroom instruction and hands-on practice.

In addition, various automotive manufacturers and their participating dealers sponsor 2-year associate degree programs at community and junior colleges across the Nation. Students in these programs typically spend alternate 10 to 12 week periods attending classes full time and working full time in the service departments of sponsoring dealers. Dealers increasingly send experienced mechanics and technicians to factory training centers to receive special training in the repair of components, such as electronic fuel injection or air-conditioning. Factory representatives often come to shops to conduct short training sessions.

Years of experience in sales, service, or administration are needed to advance to managerial positions in dealerships. Persons with 4-year college degrees in business administration and marketing increasingly are preferred for some managerial jobs, particularly by dealerships that are larger, more competitive, and more efficient. Motor vehicle manufacturers offer management training classes and seminars, in addition to sponsoring 2-year automotive mechanic training programs.

## Earnings

Average weekly earnings of nonsupervisory workers at full-service motor vehicle dealerships were \$561 in 1998, higher than the average for retail trade, as well as for all private industry (table 2). Earnings vary depending on occupation, experience, and the dealer's geographic location and size. Earnings in selected occupations in motor vehicle dealers appear in table 3.

**Table 2. Average earnings of nonsupervisory workers in motor vehicle dealers, 1998**

Industry segment	Weekly	Hourly
All private industry .....	\$ 442	\$ 12.77
Total retail trade .....	255	8.75
New and used car dealers .....	561	15.21

Most automotive sales workers are paid on a commission-only basis. Commission systems vary, but dealers often guarantee new salespersons a modest salary for the first few months until they learn how to sell cars. Many dealers also pay experienced, commissioned sales workers a modest weekly or monthly salary to compensate for the unstable nature of sales. Dealerships, especially larger ones, also pay bonuses and have special incentive programs for exceeding sales quotas. With increasing customer service requirements, some dealerships and manufacturers have adopted a non-commissioned sales force paid entirely by salary in order to reduce the reputation of cut-throat sales people. In addition, many automotive mechanics and service technicians receive a commission related to the labor cost charged to the customer. Their earnings depend on the amount of work available and completed.

Relatively few workers in motor vehicle dealerships are union members or are covered by union contracts, 3.2 percent compared to 15.4 percent of all workers in private industry.

**Table 3. Median hourly earnings of the largest occupations in motor vehicle dealers, 1997**

Occupation	New and used car dealers	Used car dealer	All industries
General managers and top executives .....	\$38.14	\$19.57	\$26.05
First-line supervisors and managers/supervisors- sales and related workers .....	24.07	16.63	13.43
First-line supervisors and managers/supervisors- mechanics, installers, and repairers .....	18.01	—	18.17
Salespersons, retail .....	15.08	12.83	7.23
Automotive mechanics .....	15.03	10.69	12.84
Automotive body and related repairers .....	14.15	—	12.95
Salespersons, parts .....	12.24	—	10.41
Bookkeeping, accounting, and auditing clerks .....	10.22	—	10.80
General office clerks .....	8.32	—	9.10
Vehicle washers and equipment cleaners .....	7.27	6.88	6.77

## Outlook

Wage and salary jobs in motor vehicle dealerships are projected to increase 12 percent over the 1998-2008 period, compared to projected growth of about 15 percent for all industries combined. Growth in the automobile industry strongly reflects consumer confidence and purchasing habits. The structure of dealerships, strength of the Nation's economy, and trends in consumer preferences will influence the employment outlook for this industry.

Over the 1998-2008 period, population growth will increase demand for motor vehicles and employment in motor vehicle dealerships. Growth of the labor force and increasing numbers of families in which both spouses need vehicles to commute to work will contribute to increased car sales and employment in this industry. As personal incomes continue to

grow, increasing numbers of persons will be able to afford the luxury of owning multiple vehicles, which also should increase sales. However, the penchant for the public to keep their cars for many more years than in the past may have a dampening effect on motor vehicle sales.

Employment growth will also be slowed as the industry continues to become more competitive, cost efficient, and responsive to consumer demand. Although there has been a slowdown in the number of dealership consolidations since 1993, the industry is expected to experience further dealership consolidations in an effort to achieve greater financial and operational efficiency and flexibility. Individual dealers increasingly will represent more than one manufacturer. In addition, greater emphasis will be placed on after-sales services, such as financing and vehicle service and repair. For larger dealerships, this will also include on-site body repair facilities.

Opportunities in the service and repair sectors of this industry should be plentiful, especially for persons who complete formal automotive mechanic training. The growing complexity of automotive technology increasingly requires highly trained mechanics and service technicians to service cars. Most persons who enter service and repair occupations may expect steady work because changes in economic conditions have little effect on this part of the dealership's business.

Opportunities for sales positions will depend to a large extent on the state of the economy, which will continue to play a dominant role in motor vehicle sales. Replacement needs will be a greater source of job openings than overall dealership expansion. The high turnover of sales jobs, characteristic of this industry, will ensure many job openings for sales workers in motor vehicle dealerships. In addition, as consumers' expectations and demands continue to increase, dealerships will seek more highly educated salespersons. Persons who have a college degree and previous sales experience should have the best opportunities. If alternative sales techniques and compensation systems, such as using

salaried non-commissioned sales professionals, become more common, the greater income stability may lead to less turnover of sales jobs.

Opportunities in managerial occupations will be best for persons with college degrees. The steady decline in the number of dealerships will slow the growth of managerial jobs.

### Sources of Additional Information

For more information about work opportunities, contact local motor vehicle dealers or the local offices of the State employment service. State employment service offices also may have information about training programs.

For additional information about careers and training in the motor vehicle dealers industry, write to:

- National Automotive Dealers Association, 8400 Westpark Dr., McLean, VA 22102.

Information on certified automotive mechanic and service technician training programs is available from:

- National Automotive Technicians Education Foundation, 13505 Dulles Technology Dr., Herndon, VA 20171-3421. Internet: <http://www.natef.org>
- SkillsUSA-VICA, P.O. Box 3000, 1401 James Monroe Hwy., Leesburg, VA 22075. Telephone (toll free): 1-800-321-VICA. Internet: <http://www.skillsusa.org>

More information on the following occupations may be found in the 2000-01 *Occupational Outlook Handbook*:

- Advertising, marketing, and public relations managers
- Automotive body repairers
- Automotive mechanics and service technicians
- Blue-collar worker supervisors
- Retail salespersons
- Retail sales worker supervisors and managers